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Congress: Still Boiling Mad?

Capitol Hill watchers have been saying for some weeks now that congressional acrimony toward U.S. trading partners, particularly Japan, has peaked and will not resurface soon or with the same stridency seen in September. The Reagan administration's fall offensive against protectionist sentiment can chalk up a victory on that score according to most. But on the rhetorical level, at least, the opposite impression is conveyed in the messages delivered to administration representatives at recent congressional hearings.

During a Senate session concerning U.S.-Japan semiconductor trade, Alfonse D'Amato (R, N.Y.) angrily declared that Japan is "robbing the United States of its productive genius," and demanded that the administration respond. Rep. Ron Wyden (D, Ore.) of the House Ways and Means oversight subcommittee asserted that the trade issue is still "red hot" as far as his

The Japanese system takes a more paternalistic attitude toward the wireless market than the United States does by maintaining links to the "independent" equipment certification panel and to the ex-public telephone company, Nippon Telegraph and Telephone Corp. Foreign manufacturers cannot provide the testing and data required for equipment approval but must submit the product to a certification panel that has personnel links with major Japanese electronics makers. Although current law allows for type approval of 12 classes of wireless equipment, the items of greatest interest (cellular telephones, pocket pagers and remote terminal equipment) are not included, and must incur high customs inspection costs.

According to U.S industry representatives, sales of cellular telephone systems, other two-way communications equipment and mobile paging systems in Japan totaled an estimated $500 million in 1984. Based on forecasts that the market could quadruple in a short time, American companies are interested in increasing their market share. Driven by industry complaints, U.S. negotiators have been campaigning for major changes in the Japanese regime. The Reagan administration wants Japan to accept manufacturer-generated test data, and to purge the old paternalism by ending administrative guidance on two-way radio services and by allocating more frequencies for commercial use.

As Tokyo sees it, no apologies are necessary since Japan's system is similar to those in Europe. If U.S. companies can compete in Europe where wireless standards vary almost from country to country, the Japanese market should present no difficulties, they reason.

Still, Japanese officials are moving to solve some issues. Although there is little motion on the issue of manufacturer-generated test data, the government is likely to update standards to allow for advances in mobile telephones and paging devices. In addition, it is giving serious consideration to allowing sales of cellular telephones based on U.S. technical standards rather than NTT's.

With sectoral negotiations scheduled to conclude by the end of the year, the chances that U.S. negotiatiors will get all the changes they want are relatively low. Since there are no advisory councils studying a complete overhaul of the radio communications regulatory framework, legislation mandating major changes will probably not be introduced in the coming session of the Diet. Even the changes Tokyo seems willing to make will not take effect until April 1, 1986 at the earliest. The issue could turn out to be a live wire, sparking trade frictions at a time when they are already plentiful. The success of foreign companies in the much-larger cable telecommunications market, however, could pull the plug on the issue.

Jon Choy

Japan-European Community Trade

European leaders told a visiting Japanese business mission last week that Tokyo's measures to reduce its trade surplus should not be limited to the United States at the expense of Europe. The European Community's high unemployment rate of 10.3 percent in 1984 and its large trade deficit with Japan has led to rising protectionist pressures. The Japanese mission, headed

by Yoshihiro Inayama, chairman of Keidanren, was urged to increase its purchases of European goods, particularly aircraft produced by the Airbus consortium.

From the end of 1980 to this past spring, the yen appreciated 26 percent against the German mark and 66 percent relative to the French franc. Economic growth in the EC averaged only 1.3 percent a year in real terms during the past three years, compared to an inflation-adjusted annual rate of 4.2 percent in Japan. Despite the appreciation of the yen and faster growth in Japan, Tokyo's trade surplus with the EC increased from $9.5 billion in 1982 to $10.1 billion in 1984.

West Germany and the United Kingdom, which absorb 58 percent of Japan's exports to the EC, had bilateral trade deficits with Japan in 1984 of $3.9 billion and $2.4 billion, respectively. Of the 10 EC countries, only Italy, a major exporter of textiles to Japan, had a trade surplus with Japan last year.

Japan's Trade with the European Community

(in millions of dollars)

	1982	1983	1984	January-August 1984	January-August 1985
Exports					
Belgium	$ 1,155	$ 1,325	$ 1,339	$ 873	$ 844
Denmark	442	595	937	444	511
France	2,318	2,010	1,935	1,293	1,261
Greece	585	908	791	605	455
Ireland	202	214	248	160	164
Italy	864	874	1,032	657	676
Luxembourg	6	10	10	8	10
Netherlands	1,661	1,726	1,816	1,219	1,219
United Kingdom	4,813	4,983	4,675	3,200	3,039
West Germany	5,018	5,877	6,622	4,307	4,106
Total	17,064	18,523	19,405	12,766	12,283
Imports					
Belgium	338	376	469	311	328
Denmark	267	373	878	494	374
France	1,215	1,302	1,236	837	864
Greece	38	29	76	67	52
Ireland	184	262	239	174	135
Italy	942	980	1,049	709	716
Luxembourg	1	1	1	1	1
Netherlands	347	443	434	303	289
United Kingdom	1,874	1,940	2,267	1,560	1,144
West Germany	2,355	2,414	2,684	1,794	1,894
Total	7,560	8,120	9,334	6,250	5,796

Source: Japan Tariff Association

Japan is a net importer of textiles from the EC, while its major exports include autos, office machinery, ships and consumer electronic goods. Most car exports go to West Germany and the United Kingdom, as several countries limit Japanese auto imports. In 1984, for example, only some 2,000 Japanese cars were sold to Italy. Chemicals and machinery and equipment account for about one-half of Japanese imports from the EC.

Despite concern over its trade deficit with Japan, the European Community's worldwide current account balance is comfortably in surplus, totaling $3.5 billion in 1984. The Organization for Economic Cooperation and Development predicts that the surplus will increase to $11.5 billion this year. The improvement in the EC's current account balance from its 1982 deficit of $8.7 billion is largely the result of a swing from a $3.5 billion deficit in 1982 with the United States to a $13.3 billion surplus last year.

Randall S. Jones

Notes

• Fulfilling prior commitments, the Ministry of Finance on October 15 approved the applications of two American banks to participate in trust banking operations in Japan. Morgan Guaranty Trust Co. and Bankers Trust Co. will move ahead with plans to establish wholly owned Japanese subsidiaries with an initial capitalization of Y1 billion ($4.5 million). Both banks have already announced business links with major Japanese trust institutions: Morgan will work with Mitsui Trust and Banking Co., Ltd., while Bankers Trust will tie up with Sumitomo Trust and Banking Co., Ltd. Hoping to get a leg up on the other four American and three European banks soon to join their ranks, the new companies plan to open their doors for business on October 28. MOF approval of the remaining applicants is expected before year's end.

• The opening of Japan's first bond futures market October 19 will stimulate the already soaring trade in government bonds. Futures trading will allow investors to hedge against price fluctuations by concluding contracts to buy or sell bonds at a given price within 15 months. Trading in bond futures on the Tokyo Stock Exchange is expected to total about Y50 trillion ($232.6 billion) in the first year, about one-half the annual turnover of spot bond transactions. Given the Y100 million ($465,000) minimum trading unit, the market is expected to be dominated by institutional and corporate investors. The 138 financial institutions allowed to take part in the market include five foreign securities firms. It was also announced recently that the London International Financial Futures Exchange and the Chicago Board of Trade plan to develop a contract for Japanese government bonds and hope to begin trading within a year.

• In an apparent setback for the U.S. government and Japanese whalers, an insufficient number of all the judges sitting on the U.S. Court of Appeals for the District of Columbia agreed to review a ruling by three of its members that could lead to harsh action against Japanese fishermen (see JEI Report No. 31B, August 16, 1985). The October 16 decision revolves around the appeals court's interpretation of what constitutes a majority of justices in a petition for rehearing en banc. Two of the nine judges currently sitting on the court